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Introduction To

ILLINOIS DEPARTMENT OF COMMERCE AND COMMUNITY AFFAIRS

PARTICIPATION LOAN programs

PURPOSE

The "Participation Loan Program," the "Minority Women and Disabled Participation Loan Program" and the "Development Corporation Participation Loan Program" provide economic development assistance through banks, development corporations and other lenders to Illinois small businesses which will provide employment opportunities for Illinois citizens. The Department of Commerce and Community Affairs (DCCA) can participate in small business loans up to 25 percent of the total amount of a project, but not less than $10,000 or more than $750,000. Minority, Women and Disabled Participations may not exceed 50 percent of the project, subject to a maximum of $50,000. DCCA's participation must be 50 percent or less of the Development Corporation's loan, not to exceed 25 percent of the total project or $750,000 maximum. Funds available through the programs can be used for a number of business activities - purchase and installation of machinery and equipment, working capital, purchase of land, construction or renovation of buildings, etc.

FUNDS CANNOT BE USED FOR DEBT REFINANCING OR CONTINGENCY FUNDING

EVALUATION CRITERIA

The lender will be responsible for the review and approval of the credit, collateral, security and documentation, determination of eligibility, and for the verification of the information in the application. DCCA will review the information submitted by the lender for its decision on the participation request.

APPLICATION SUBMISSION INFORMATION

An applicant may apply for a loan through a bank, development corporation or other lender. The lender applies to DCCA for a participation. All information included with the original application will remain confidential consistent with the Small Business Development Act and the Illinois Freedom of Information Act.

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ADVANTAGES

DCCA has designed these programs to encourage lenders (banks or development corporations) to make loans that they otherwise would not make for a variety of reasons. All loan servicing, except some necessary reports, is handled by the local lender. The whole process is designed to be simple and efficient.

ELIGIBILITY

Any for-profit small business operating in the State of Illinois which has, including its affiliates, fewer than 500 full-time employees is eligible. A Minority, Women or Disabled business is a business which is at least 51 percent owned by one or more minority, women or disabled persons and the management and daily operations of the business are controlled by one or more of the minority, women or disabled persons who own it. Minority shall mean a person who is a citizen or lawful permanent resident of the United States and who is African American, Hispanic, Asian American, American Indian or Alaskan Native. Disabled shall mean a person with a physical or mental impairment that substantially limits one or more of the major life activities of an individual.

FUNDING CRITERIA

Each loan originated and submitted to DCCA for funding assistance must be in compliance with the following criteria:

A. The project for which loan funds will be used would not be undertaken unless the loan is provided.

B. DCCA's participation will cause a project to be undertaken which has the potential to create or retain substantial employment in Illinois or to modernize or improve the competitiveness of the borrower in relation to the amount of the loan.

C. The borrower is a new plant start-up, modernization, expansion or a new venture opportunity in Illinois and is not a relocation of an existing business from another site within the State of Illinois unless that relocation results in substantial employment growth.

D. The borrower has demonstrated to the lender that it is ready to implement the project for which the loan is being made and that it has the financial ability to carry out the project.

LIEN POSITION

DCCA will, if necessary, subordinate its lien position in the event of default to the primary financing institution but typically will not accept less than a second lien position. DCCA will generally agree to accept a shared subordinated lien position with a Development Corporation but typically will not accept less than a shared second lien position.

INTEREST RATE

The lender will set its rate ("Lender Rate") according to its normal lending guidelines. DCCA will establish its interest rate to be paid on its participation, which may or may not be the same as the rate charged by the lender.

TERM

The lender will set its terms according to its normal lending guidelines. DCCA will match these terms but typically will not participate for more than ten (10) years.

DEVELOPMENT CORPORATIONS

Development Corporations provide financing to supplement commercial lending and support economic development. They may specialize in development and rehabilitation of housing or commercial real estate, investment in or lending to businesses, or related activities. Development Corporations are most often public and bank sponsored and funded financial institutions. They serve as a source of supplemental business capital for small businesses whose credit requirements cannot be adequately served by conventional lending institutions.

DCCA is committed to the establishment of Community Development Corporations and supports their efforts through the Development Corporation Programs. Each Development Corporation is locally managed and establishes its own operating procedures and lending criteria. Development Corporations are established or emerging throughout the state. For information about Development Corporations in your area, contact the Development Corporation Program Administrator at 217/524-0165; TDD, 800/785-6055.

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FOR MORE INFORMATION

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